



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING & FINANCE**

QUALIFICATION: BACHELOR OF HOSPITALITY AND TOURISM MANAGEMENT HONOURS	
QUALIFICATION CODE: 08BHTH	LEVEL: 8
COURSE CODE: FMH810S	COURSE NAME: FINANCIAL MANAGEMENT FOR HOSPITALITY AND TOURISM
SESSION: JULY 2025	PAPER: THEORY AND APPLICATION
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	Mr. A Okafor

<p style="text-align: center;">INSTRUCTIONS</p> <ul style="list-style-type: none">• This question paper is made up of FIVE (5) questions.• Start each question on a new page.• Answer All the questions and in blue or black ink.• You are advised to pay due attention to expression and presentation. Failure to do so will cost you marks.• Start each question on a new page in your answer booklet and show all your workings.• Questions relating to this paper may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities and any assumption made by the candidate should be clearly stated.

PERMISSIBLE MATERIALS

Non-programmable calculator/financial calculator

THIS QUESTION PAPER CONSISTS OF 6 PAGES (Including this front page)

Question 1**(20 marks)**

Namibia Railway Company (NRC) was considering two options for a new railway line connecting two towns. Route A involved cutting a channel through an area designated as being of special scientific importance because it was one of a very few suitable feeding grounds for a colony of endangered birds. The birds were considered to be an important part of the local environment with some potential influences on local ecosystems.

The alternative was Route B which would involve the compulsory purchase and destruction of Frekkie Stein's farm. Mr Stein was a vocal opponent of the Route B plan. He said that he had a right to stay on the land which had been owned by his family for four generations and which he had developed into a profitable farm. The farm employed a number of local people whose jobs would be lost if Route B went through the house and land. Mr Stein threatened legal action against NRC if Route B was chosen.

An independent legal authority has determined that the compulsory purchase price of Mr Stein's farm would be N\$1 million if Route B was chosen. NRC considered this a material cost, over and above other land costs, because the projected net present value (NPV) of cash flows over a ten-year period would be N\$5 million without buying the farm. This would reduce the NPV by N\$1 million if Route B was chosen.

The local government authority had given both routes provisional planning permission and offered no opinion of which it preferred. It supported infrastructure projects such as the new railway line, believing that either route would attract new income and prosperity to the region. It took the view that as an experienced railway builder, NRC would know best which to choose and how to evaluate the two options. Because it was very keen to attract the investment, it left the decision entirely to NRC. NRC selected Route A as the route to build the new line.

A local environmental pressure group, 'Save the Birds', was outraged at the decision to choose Route A. It criticised NRC and also the local authority for ignoring the sustainability implications of the decision. It accused the company of profiting at the expense of the environment and threatened to use 'direct action' to disrupt the building of the line through the birds' feeding ground if Route A went ahead.

REQUIRED:		
(a)	Assess the decision to choose Route A by focusing on financial, legal, ethical, environmental, sustainability and other factors.	(10)
(b)	Discuss the importance and/or possible consequences to NRC of recognising all of the stakeholders in a decision such as deciding between Route A and Route B.	(5)
(c)	Explain what a stakeholder 'claim' is, and critically assess the stakeholder claims of Frekkie Stein, the local government authority and the colony of endangered birds.	(5)
TOTAL		(20)

QUESTION 2**[21 MARKS]**

You are working with the Chief Financial Officer (CFO) to determine the financial viability of a number of projects and possible investments. As part of the preliminary work you are given the following task:

Kudu Co needs to increase production capacity to meet increasing demand for an existing product, 'Quago', which is used in food processing. A new machine, with a useful life of four years and a maximum output of 600,000 kg of Quago per year, could be bought for N\$800,000, payable immediately. The machine has no scrap value. The Cost of Capital for this project is estimated to be 10% and the forecast after tax Cashflows over the next five years is as follows:

Time	Cashflow (N\$)
1	200 000
2	290 000
3	338 000
4	310 000
5	-16 000 (Loss)

REQUIRED:		
(a)	Calculate the net present value of buying the new machine (work to the nearest N\$1,000) and advise on the acceptability of the proposed purchase.	(10)
(b)	Calculate NPV of buying the new machine at a cost of capital of 15% and the internal rate of return (IRR) (work to the nearest N\$1,000) and Advise on the acceptability of the proposed purchase.	(11)
TOTAL		(21)

QUESTION 3**[9 MARKS]**

Aibes hospitality and tourism runs a lucrative hotel situated in Windhoek.

Statements of profit or loss for the year ended 30 June 2024

	2024	2023
	\$000	\$000
Revenue	1,391,820	1,159,850
Cost of Sales	(1,050,825)	(753,450)
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Gross profit	340,995	406,400
Operating expenses	(161,450)	(170,950)
	<hr/>	<hr/>
Profit from operations	179,545	235,450
Finance costs	(10,000)	(14,000)
	<hr/>	<hr/>
Profits before tax	169,545	221,450
Tax	(50,800)	(66,300)
	<hr/>	<hr/>
Profit for the year	118,745	155,150

Statements of financial position as at 30 June

	2024	2023
	\$000	\$000
Non-current assets	509,590	341,400
Current assets		
Inventory	109,400	88,760
Receivables	419,455	206,550
Bank	–	95,400
	<hr/>	<hr/>
	1,038,445	732,110
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Share capital	100,000	100,000
Share premium	20,000	20,000
Revaluation reserve	50,000	–
Retained earnings	376,165	287,420
	<hr/>	<hr/>
	546,165	407,420
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Non-current liabilities	61,600	83,100
Current liabilities		
Payables	295,480	179,590
Overdraft	80,200	–
Tax	55,000	62,000
	<hr/>	<hr/>
	1,038,445	732,110
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REQUIRED:		
Calculate the following ratios for the company for the year ended 30 June 2024:		
(a)	Inventory days	(2)
(b)	Receivable days	(2)
(c)	Payable days	(2)
(d)	Current ratio	(2)
(e)	Comment on the position of the company in terms of working capital management.	(1)
TOTAL		(9)

Question 4

(25 marks)

The directors of Venehengu Co are considering a planned investment project costing N\$25m, payable at the start of the first year of operation. The following information relates to the investment project:

Year	1	2	3	4
Sales volume (units/year)	520,000	624,000	717,000	788,000
Selling price (N\$/unit)	30.00	30.00	30.00	30.00
Variable costs (N\$/unit)	10.00	10.20	10.61	10.93
Fixed costs (N\$/year)	700,000	735,000	779,000	841,000

This information needs adjusting to take account of selling price inflation of 4% per year and variable cost inflation of 3% per year. The fixed costs, which are incremental and related to the investment project, are in nominal terms. The year 4 sales volume is expected to continue for the foreseeable future.

Venehengu Co pays corporation tax of 30% one year in arrears. The company can claim tax-allowable depreciation on a 25% reducing balance basis.

The views of the directors of Venehengu Co are that all investment projects must be evaluated over four years of operations, with an assumed terminal value at the end of the fourth year of 5% of the initial investment cost. Both net present value and discounted payback must be used, with a maximum discounted payback period of two years. The real after-tax cost of capital of Venehengu Co is 7% and its nominal after-tax cost of capital is 12%.

REQUIRED	Marks
a) i) Calculate the net present value of the planned investment project.	12
a) ii) Calculate the discounted payback period of the planned investment project.	4

b) Discuss the financial acceptability of the investment project.	3
c) Critically discuss the views of the directors on Venehengu Co's investment appraisal.	6
TOTAL	25

Question 5

(25 marks)

Toy Toy Ltd specialises in the importation and sales of equipment for children's indoor play centres. The company was set up by Mr. Kanatje. Mr. Kanatje has asked you to assist him managing his cash balance over the next three months. The cashflows of Toy Toy are fairly predictable based on past performances and the numbers have not changed significantly for the last 5 years. You have been provided with the following information:

1. The balance on 1 February 2025 is forecast at N\$ 120 000.
2. Sales for November and December are N\$ 130 000 per month. They are expected to rise to N\$ 150 000 in January 2025, N\$ 170 000 in February 2025 and N\$ 190 000 in March 2025. They will then fall to N\$ 140 000 for each for each of the following six months. This is due to downturn in demand.
3. All sales are made on credit, 2% of debtors do not pay at all, 70% pay one month after sales and the remaining 28% pay two months after sales.
4. Purchases are made as follows: N\$ 60 000 November, N\$ 40 000 December, N\$ 60 000 January, N\$ 50 000 February, N\$ 70 000 March, N\$ 90 000 April, and N\$ 35 000 on May. All purchases are paid for in two month after purchases.
5. The cost of employing Toy Toy Ltd's permanent staff is N\$ 40 000 per month. Toy Toy Ltd also employs temporary staff during January, February and March at additional cost equaling to 3% of sales each month.
6. Toy Toy Ltd uses a courier to dispatch the equipment to its customers. The cost of this service is 2% of sales value in January to March, falling to 1% per month thereafter.
7. The company charges depreciation of N\$ 15 000 each month.
8. Toy Toy Ltd also owns two indoor play centre that it rents out at the rate of N\$ 3 500 each per month from January to April, falling to N\$ 3 000 per month thereafter. All rent are received one month in advance.
9. Administration costs are forecast at N\$ 30 000 each month after deducting depreciation.

REQUIRED:		
(a)	Prepare a monthly cash budget for 1 January to 30 March 2025, showing clearly any necessary workings. Note: Unless told otherwise, assume that payments are made in the month in which the costs are incurred.	(25)
TOTAL		25

Present Value Table

Present value of 1 i.e. $(1 + r)^{-n}$

Where r = discount rate
 n = number of periods until payment

Periods (n)	Discount rate (r)										
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	1
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	2
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	3
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	4
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	5
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	6
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	7
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	8
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	9
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	10
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	11
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	12
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	13
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	14
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	15
(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	1
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	2
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	3
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	4
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	5
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	6
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	7
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	8
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	9
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	10
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	11
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	12
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	13
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	14
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	15

THE END